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IDAHO PUBLIC
UTILITIES COMMISSION

LISA D. NORDSTROM
Lead Counsel
lnordstrom@idahopower.com

March 15, 2016

VIA HAND DELIVERY

Jean D. Jewell, Secretary
Idaho Public Utilities Commission
472 West Washington Street
Boise, Idaho 83702

Re: Case No. IPC-E-16-02
Fixed Cost Adjustment Rates for June 1, 2016, Through May 31, 2017
Idaho Power Company's Application and Testimony

Dear Ms. Jewell:

Enclosed for filing in the above matter please find an original and seven (7) copies of Idaho Power Company's Application.

In addition, enclosed are an original and eight (8) copies of the Direct Testimony of Zachary L. Harris filed in support of the Application. One copy of Mr. Harris's testimony has been designated as the "Reporter's Copy." In addition, a disk containing a Word version of Mr. Harris's testimony is enclosed for the Reporter.

Lastly, four (4) copies each of Idaho Power Company's press release and customer notice are also enclosed.

Very truly yours,



Lisa D. Nordstrom

LDN:kkt
Enclosures

LISA D. NORDSTROM (ISB No. 5733)
Idaho Power Company
1221 West Idaho Street (83702)
P.O. Box 70
Boise, Idaho 83707
Telephone: (208) 388-5825
Facsimile: (208) 388-6936
lnordstrom@idahopower.com

Attorney for Idaho Power Company

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IDAHO PUBLIC
UTILITIES COMMISSION

BEFORE THE IDAHO PUBLIC UTILITIES COMMISSION

IN THE MATTER OF THE APPLICATION)	
OF IDAHO POWER COMPANY FOR)	CASE NO. IPC-E-16-02
AUTHORITY TO IMPLEMENT FIXED)	
COST ADJUSTMENT ("FCA") RATES FOR)	APPLICATION
ELECTRIC SERVICE FROM JUNE 1, 2016,)	
THROUGH MAY 31, 2017.)	
_____)	

Idaho Power Company ("Idaho Power" or "Company"), in accordance with *Idaho Code* § 61-502 and RP 052, hereby respectfully makes application to the Idaho Public Utilities Commission ("Commission") for an order authorizing Idaho Power to implement Fixed Cost Adjustment rates for electric service from June 1, 2016, through May 31, 2017 and to approve the Company's corresponding Schedule 54, Fixed Cost Adjustment.

In support of this Application, Idaho Power represents as follows:

I. BACKGROUND

1. Idaho Power and the Commission have long agreed that promotion of cost-effective energy efficiency and demand-side management (“DSM”) “is an integral part of least-cost electric service.” See, e.g., Order No. 30267 at 13. Traditional rate design that recovers fixed costs through each kilowatt-hour (“kWh”) sold discourages utilities from reducing their sales volume through investment in energy efficiency and DSM.

2. Recognizing that “opportunities exist[ed] for improvements in operating efficiency that would benefit the Company shareholders and its customers,” the Commission opened an investigation in Case No. IPC-E-04-15 to consider options for a performance-based mechanism that adjusts revenues when annual energy consumption is either above or below normal. Order No. 29558 at 1, *citing* Order No. 29505 at 68-69. The FCA mechanism is the collaborative result of that case.

3. In Order No. 30267 issued in Case No. IPC-E-04-15 on March 12, 2007, the Commission approved a stipulation for the implementation of a three-year FCA pilot program applicable to Residential Service (Schedules 1, 3, 4, and 5) and Small General Service (Schedule 7) customers. On October 1, 2009, the Company filed an application seeking authority to convert Schedule 54, the FCA tariff schedule, from a pilot program to an ongoing, permanent program. Case No. IPC-E-09-28. The Commission denied Idaho Power’s request to make the FCA mechanism permanent and, instead, extended the pilot program for an additional two-year period. Order No. 31063. During the fifth year of the pilot program, the Company filed an application in Case No. IPC-E-11-19 on October 19, 2011, seeking authority to convert the FCA to an ongoing, permanent

program. Order No. 32505, issued March 30, 2012, approved the Company's request to convert the FCA to a permanent program for the Residential and Small General Service customers. The Commission's subsequent Order No. 32731 in that case directed that the FCA mechanism continue with its existing methodology.

4. In Order No. 33295 issued in Case No. IPC-E-14-17, the Commission approved a settlement stipulation that changed the methodology to calculate the level of actual fixed cost recovered used to determine the FCA. The modification to the calculation of the actual level of fixed costs recovered replaced weather-normalized billed sales with actual billed sales and began with the determination of the 2015 FCA.

5. In this filing, the Company requests recovery of the 2015 FCA balance and corresponding rates, and to update the Company's Schedule 54 to implement the change in methodology from Order No. 33295 regarding the calculation of the actual fixed cost recovered amount by replacing the term "weather-normalized" with the term "actual".

II. FIXED COST ADJUSTMENT MECHANISM

6. The FCA mechanism enables Idaho Power to separate, or "decouple," its fixed cost revenues from its volumetric energy sales, and provides symmetry through a surcharge or credit when fixed cost recovery per customer, on an actual billed sales basis, varies above or below a Commission-established base. In other words, the FCA provides a "true-up" of the collection of fixed costs per customer to recover the difference between the level of fixed costs recovered on an actual billed sales basis by the Company through rates and the level of fixed costs authorized for recovery in the Company's most recent, applicable general rate case. The FCA removes the financial

disincentive that exists when the Company invests in DSM resources and energy efficiency activities. On a system-wide basis, Idaho Power achieved 162,533 megawatt-hours of incremental annual energy efficiency savings in 2015, which is a 12 percent increase from savings reported in 2014.

7. The FCA works identically for both the Residential and Small General Service classes. For each class, the number of customers is multiplied by the fixed cost per customer rate (FCC), which is established as part of determining the Company's allowed revenue requirement in the most recent general rate case. The product of this calculation establishes the "authorized fixed cost recovery" amount. This authorized fixed cost recovery amount is then compared to the amount of fixed costs actually recovered by Idaho Power. To determine the "actual fixed costs recovered" amount, the Company multiplies the actual billed sales for each class by the fixed cost per energy rate (FCE) as established in the Company's most recent applicable general rate case. The difference between these two numbers (the "authorized fixed cost recovery" amount minus the "actual fixed costs recovered" amount) is the fixed cost adjustment for each class.

III. PROPOSED 2016-2017 FCA RATE ADJUSTMENT

8. The determination of the FCA deferral balance and corresponding rates are described in the Direct Testimony of Zachary L. Harris ("Harris Testimony") filed contemporaneously with this Application.

9. As shown on Exhibit No. 4 of the Harris Testimony, the proposed FCA is \$26,897,109 for the Residential class and \$1,157,433 for the Small General Service class, for a total amount of \$28,054,542. Harris Testimony at 10. The proposed FCA

deferral balance is an incremental increase above the current FCA deferral balance currently collected in customers' rates. Accordingly, with this Application, Idaho Power is proposing a FCA rate increase for the Residential and Small General Service classes to allow the Company an opportunity to recover its authorized revenues as determined by the FCA mechanism. The proposed FCA rates would result in an increase to total billed revenue, including the FCA, for the affected customer classes of 2.20 percent. Harris Testimony at 14.

10. To be consistent with the FCA methodology applied in previous phases of the FCA, and in compliance with Order No. 32505 wherein the Commission directed the Company recover or refund the FCA deferral balance equally between the Residential and Small General Service customer classes, the Company is proposing a combined rate increase for Residential and Small General Service customers of 2.20 percent above current rates. This increase equates to new FCA rates of 0.5416 cents per kWh for the Residential class and 0.6875 cents per kWh for the Small General Service class. Harris Testimony at 12.

11. Idaho Power requests that the FCA rates become effective on June 1, 2016, coincident with Idaho Power's Power Cost Adjustment and with the commencement of seasonal rates. The Company requests that the FCA rates remain in effect until May 31, 2017.

12. The proposed FCA tariff (clean version), Schedule 54, is attached hereto as Attachment 1 to this Application. The Schedule 54 tariff in legislative format is attached hereto as Attachment 2.

IV. MODIFIED PROCEDURE

13. Idaho Power believes that a technical hearing is not necessary to consider the issues presented herein and respectfully requests that this Application be processed under Modified Procedure, i.e., by written submissions rather than by hearing. RP 201, *et seq.* The Company has, however, contemporaneously filed the Harris Testimony and stands ready to present its testimony and support the Application if the Commission determines that a technical hearing is required.

V. COMMUNICATIONS AND SERVICE OF PLEADINGS

14. In conformance with RP 125, this Application will be brought to the attention of Idaho Power's customers by means of both a press release to media in the Company's service area and a customer notice distributed in customers' bills, both of which accompany this filing. The customer notice will be distributed over the course of the Company's current billing cycle, with the last notice being sent on or about April 21, 2016. Idaho Power will also keep its Application, testimony, and exhibits open for public inspection at its offices throughout the state of Idaho. Idaho Power believes the above procedures satisfy the Rules of Practice and Procedure of this Commission; however, the Company will, in the alternative, bring the Application to the attention of its affected customers through any other means directed by this Commission.

15. Communications and service of pleadings with reference to this Application should be sent to the following:

Lisa D. Nordstrom
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
lnordstrom@idahopower.com
dockets@idahopower.com

Zachary L. Harris
Idaho Power Company
P.O. Box 70
Boise, Idaho 83707
zharris@idahopower.com

VI. REQUEST FOR RELIEF

16. Idaho Power respectfully requests that the Commission issue an order (1) authorizing that this matter be processed by Modified Procedure and (2) authorizing Idaho Power to implement Fixed Cost Adjustment rates for electric service from June 1, 2016, through May 31, 2017, as described above. To allow Idaho Power the ability to test and implement the new rates in its billing system, the Company requests the Commission issue its order by May 27, 2016.

DATED at Boise, Idaho, this 15th day of March 2016.



LISA D. NORDSTROM
Attorney for Idaho Power Company

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-16-02

IDAHO POWER COMPANY

ATTACHMENT 1
PROPOSED TARIFF

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual fixed costs Recovered amount is computed by multiplying the actual energy load for Residential and Small General Service customers by the appropriate Residential and Small General Service FCE rate.

FIXED COST ADJUSTMENT

The Fixed Cost Adjustment (FCA) is the difference between the Allowed Fixed Cost Recovery Amount and the Actual Fixed Costs Recovered Amount divided by the estimated weather-normalized energy load for the following year for Residential and Small General Service Customers.

The monthly Fixed Cost Adjustment for Residential Service (Schedules 1, 3, 4, and 5) is 0.5416 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedule 7) is 0.6875 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 2017.

BEFORE THE
IDAHO PUBLIC UTILITIES COMMISSION
CASE NO. IPC-E-16-02

IDAHO POWER COMPANY

ATTACHMENT 2
TARIFF IN LEGISLATIVE FORMAT

SCHEDULE 54
FIXED COST ADJUSTMENT
(Continued)

ACTUAL FIXED COSTS RECOVERED AMOUNT

The Actual fixed costs Recovered amount is computed by multiplying the ~~weather-normalized~~actual energy load for Residential and Small General Service customers by the appropriate Residential and Small General Service FCE rate.

FIXED COST ADJUSTMENT

The Fixed Cost Adjustment (FCA) is the difference between the Allowed Fixed Cost Recovery Amount and the Actual Fixed Costs Recovered Amount divided by the estimated weather-normalized energy load for the following year for Residential and Small General Service Customers.

The monthly Fixed Cost Adjustment for Residential Service (Schedules 1, 3, 4, and 5) is 0.~~3258~~5416 cents per kWh. The monthly Fixed Cost Adjustment for Small General Service (Schedule 7) is 0.~~4099~~6875 cents per kWh.

EXPIRATION

The Fixed Cost Adjustment included on this schedule will expire May 31, 201~~6~~7.